



NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES

1023 N. Royal St., Alexandria, VA 22314-1569 • Telephone—(703) 548-5922

**STATEMENT OF
R. FAIN HAMBRIGHT, PRESIDENT
NATIONAL LEAGUE OF POSTMASTERS
BEFORE THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES
March 1, 1984**

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, MY NAME IS R. FAIN HAMBRIGHT, PRESIDENT OF THE NATIONAL LEAGUE OF POSTMASTERS. THE LEAGUE REPRESENTS MORE THAN 22,000 POSTMASTERS THROUGHOUT THIS NATION, MANY OF THEM IN RURAL POST OFFICES SUCH AS THE KIND WITH WHICH YOU ARE FAMILIAR IN YOUR HOME STATE OF MICHIGAN. IN ADDITION, WE REPRESENT MORE THAN 70,000 OTHER FEDERAL EMPLOYEES AS ASSOCIATE MEMBERS, ENROLLED IN OUR POSTMASTERS BENEFIT PLAN.

WE WELCOME THE OPPORTUNITY TO WORK WITH THIS COMMITTEE AS IT BEGINS A LONG AND ARDUOUS TASK OF DEVELOPING A SUPPLEMENTAL RETIREMENT PLAN FOR POST-JANUARY 1 NEW HIRE FEDERAL/POSTAL EMPLOYEES.

MR. CHAIRMAN, DURING THE PROCEEDINGS, AND SINCE THE ENACTMENT, OF PL 98-21 THE SOCIAL SECURITY ACT AMENDMENTS OF 1983, WE HAVE CONTACTED HUNDREDS OF MEMBERS OF CONGRESS ON THIS SUBJECT. BOTH BEFORE, AND MOST NOTABLY SINCE, THE OVERWHELMING REACTION TO THE INCLUSION OF FEDERAL EMPLOYEES IN SOCIAL SECURITY HAS BEEN

NEGATIVE. WE THEREFORE FIND OURSELVES IN THE CURRENT POSITION BECAUSE OF A BAD PROVISION OF LAW, AND WE BELIEVE THE ONLY REAL SOLUTION IS TO REPEAL THAT PROVISION.

HOWEVER, GIVEN THE FACTS OF LIFE AS THEY ARE, WE KNOW THAT WILL NOT HAPPEN ANY TIME SOON; SO WE ARE PREPARED TO WORK WITH YOU IN PREVENTING A BAD SITUATION FROM BECOMING WORSE. WE HAVE ATTACHED THE LEAGUE'S POSITION PAPER ON THIS OVERALL ISSUE AND WE SUBMIT IT AS PART OF THE RECORD.

MR. CHAIRMAN, YOU HAVE ASKED THAT WE FOCUS ON FIVE GENERAL AREAS IN THIS FIRST OF A SERIES OF PLANNED HEARINGS, NAMELY (1) COMPARABILITY ANALYSIS; (2) GENERAL DESIGN; (3) ELIGIBILITY AND INFLATION PROTECTION; (4) FINANCING, AND (5) COVERAGE. SINCE WE ARE NOT STAFFED WITH THE TYPE OF TECHNICIANS TO ADDRESS THESE ISSUES SEPARATELY IN ANY AUTHORITATIVE MANNER, WE THEREFORE WILL GIVE YOU OUR VIEWS ON THE BROAD OVERALL SUBJECT. PERHAPS THEY WILL ENCOMPASS THE FIVE GENERAL AREAS TO SOME DEGREE.

THE NATIONAL LEAGUE OF POSTMASTERS IS A PART OF THE 25 MEMBER GROUP COMPRISING "FAIR" (FUND FOR ASSURING AN INDEPENDENT RETIREMENT) AND, AS SUCH, WE WISH TO PREFACE OUR REMARKS BY ASSOCIATING OURSELVES WITH THE THREE PRINCIPLES SET FORTH BY THAT GROUP FOR ANY ACCEPTABLE SUPPLEMENTAL RETIREMENT PLAN FOR NEW

HIRES WHEN WE TESTIFIED BEFORE THE HOUSE SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS LAST NOVEMBER. THEY ARE:

- CONTINUED COVERAGE FOR THESE NEW EMPLOYEES UNDER THE CIVIL SERVICE RETIREMENT SYSTEM.
- NO INTERRUPTION OR REDUCTION IN TOTAL CONTRIBUTIONS TO THE CIVIL SERVICE RETIREMENT SYSTEM.
- EQUITY IN OVERALL CONTRIBUTION LEVELS BETWEEN NEW AND PRESENT EMPLOYEES.

WE ARE PLEASED THAT THESE ESSENTIAL TESTS WERE MET IN THE ADOPTION OF THE TEMPORARY PLAN PRESENTLY IN EFFECT FOR NEW HIRES THROUGH 1985, AND WE BELIEVE THEY MUST BE EMBODIED IN ANY FINAL PLAN. WE ALSO BELIEVE THAT THE CIVIL SERVICE RETIREMENT SYSTEM SHOULD BE CONSIDERED BY ITSELF AND NOT COMPARED TO PRIVATE PENSION PLANS. PRIMARILY BECAUSE THERE IS REALLY NO RELATIVE COMPARISON. THE VAST MAJORITY OF PRIVATE PENSION PLANS (94%) ARE NONCONTRIBUTORY BY EMPLOYEES AND ALSO CIVIL SERVICE RETIREMENT IS DESIGNED TO PAY BENEFITS ON A PAY-AS-YOU-GO BASIS. FURTHER, RETIREMENT SHOULD NOT BE CONSIDERED IN A TOTAL COMPENSATION PACKAGE WITH OTHER FORMS OF EMPLOYEE BENEFITS.

AWARE OF THE MANY DRAWBACKS AND OBJECTIONS TO A TWO-TIER RETIREMENT SYSTEM, AND IN CONTEMPLATION OF ULTIMATELY HAVING TO

ADDRESS THIS ISSUE, THE LEAGUE RECENTLY ASKED ITS NATIONAL LEADERS TO SEEK THE ADVICE AND COUNSEL OF THEIR BRANCH MEMBERS ON THIS MATTER, AND TO MAKE KNOWN THEIR FINDINGS TO NATIONAL HEADQUARTERS AS SOON AS POSSIBLE. TO STIMULATE THEM, WE POSED THE FOLLOWING SCENARIO:

WITH THE HOUSE AND SENATE SEEKING AN ULTIMATE ALTERNATIVE TO THE PRESENT CIVIL SERVICE RETIREMENT AND SOCIAL SECURITY SYSTEMS THROUGH THE COORDINATION OF BENEFITS AND CONTRIBUTIONS OF THOSE PLANS, WHAT WOULD YOU ACCEPT AS THE MOST DESIROUS ALTERNATIVE TO YOUR PRESENT BENEFITS?

MR. CHAIRMAN, THOSE RESPONSES ARE JUST BEGINNING TO SURFACE, AND THEY ARE TOO FEW TO FORM A CONSENSUS AT THIS TIME. IT SEEMS CLEAR, HOWEVER, THAT IF THE GOVERNMENT IS NOT PREPARED TO ACCEPT THE CONTINUATION OF A DEFINED BENEFIT PACKAGE, IT MUST BE PREPARED TO OFFER A DEFINED CONTRIBUTION PLAN WITH SPECIFIC BENEFIT SAFEGUARDS.

RECOGNIZING THERE ARE DISTINCT ADVANTAGES AND DISADVANTAGES OF BOTH PLANS, THE LATTER, ON THE BASIS OF OUR EARLY RETURNS, WOULD APPEAR TO BE ACCEPTABLE PROVIDED THE FOLLOWING ARE OFFERED AS A FLOOR.

- A PERCENTAGE OF INCOME CONTRIBUTED BY THE EMPLOYER WITH AN ESCALATOR FOR INFLATION.
- NO LIMIT ON EMPLOYEE CONTRIBUTIONS -- ANY AMOUNT EXCEEDING THE EMPLOYER'S CONTRIBUTION MAY BE WITHDRAWN AT ANY TIME WITHOUT PENALTY.
- A FULL REFUND TO THE EMPLOYEE OF BOTH EMPLOYEE/EMPLOYER CONTRIBUTIONS, INCLUDING ACCRUED INTEREST, UPON LEAVING GOVERNMENT SERVICE.
- TAX INDUCEMENTS CONSISTENT WITH EXISTING I.R.A. LAWS.
- COMPLETE EMPLOYEE MANAGEMENT OF THE FUND.
- UPON AN EMPLOYEE'S DEATH, THE SURVIVOR WOULD BE ENTITLED TO FULL BENEFITS OF A SEPARATED EMPLOYEE.
- UPON DISABILITY, AN EMPLOYEE WOULD BE PROVIDED THE OPTION OF A FULL REFUND, WITHOUT PENALTY, OR GUARANTEED GOVERNMENT BENEFITS.
- INVESTMENTS WOULD BE FULLY INSURED BY THE FEDERAL GOVERNMENT.

IN THE OPINION OF THOSE RESPONDING, THEY ALSO LEAN TOWARD AN OPTION FOR BOTH NEW AND PRESENT EMPLOYEES FOR ANY NEW PLAN, WITH THE GUARANTEED CIVIL SERVICE RETIREMENT BENEFITS FOR ALL FEDERAL EMPLOYEES ON THE ROLLS AT THE TIME OF ENACTMENT OF A NEW RETIREMENT SYSTEM.

MR. CHAIRMAN, I WISH TO MAKE IT ABUNDANTLY CLEAR THAT THIS IN NO WAY REPRESENTS OUR POSITION ON THIS ISSUE AT THIS TIME. HOWEVER, IT WILL I BELIEVE, GIVE THIS COMMITTEE BENEFIT OF THE INITIAL REACTION OF OUR PEOPLE WHO ARE CONCERNED ABOUT THE POSSIBLE TYPE OF RETIREMENT SYSTEM WITH WHICH THEY THEMSELVES MAY ULTIMATELY BE CONFRONTED.

IN CLOSING, WE WOULD LIKE THIS COMMITTEE TO TAKE IMMEDIATE STEPS DURING THE BUDGET PROCESS TO ASSURE THAT THE PRESENT RETIREMENT SYSTEM REMAINS UNCHANGED DURING THE NUMEROUS STUDIES PRESENTLY UNDER REVIEW.

MR. CHAIRMAN, YOU PROPERLY CALLED THE GRACE COMMISSION'S REPORT "STATISTICAL CHICANERY", AND SAID THE REPORTED SAVINGS IN RETIREMENT ALONE WERE "EXAGGERATED", AND WE CONCUR. THE 1982 RECONCILIATION ACT HAS ALREADY CUT RETIREMENT BENEFITS BY MORE THAN \$4.1 BILLION. SINCE PRIVATE PENSION PLANS PROHIBIT EMPLOYER'S FROM CUTTING ACCRUED BENEFITS ONCE EMPLOYEES ARE VESTED, THEN GOVERNMENT SHOULD NOT CONSIDER REDUCING BENEFITS OF ITS PRESENT EMPLOYEES SOLELY TO REDUCE THE NATIONAL DEFICIT.

WE FURTHER BELIEVE ANY FINAL RETIREMENT PLAN MUST BE ABLE TO ATTRACT AND RETAIN A QUALITY WORKFORCE, PROVIDE GOVERNMENT FUNDING, AND GUARANTEE NO BENEFIT REDUCTIONS.

I WANT TO THANK YOU, MR. CHAIRMAN, AND YOUR COMMITTEE FOR YOUR CONCERNS AND THE INTEREST OF FEDERAL/POSTAL EMPLOYEES. WE LOOK FORWARD TO OUR CONTINUED MUTUAL EFFORTS ON THIS SUBJECT.

ATTACHMENT